



Office of Audit and Compliance
Final Audit Report:
State Disbursement Reconciliation Audit Report

<i>Why OAC Performed this Review</i>	<i>What OAC Found</i>
<p>This review was performed as a result of the Department of Finance's Risk Assessment Report. This report outlined the lack of reconciliation performed on undistributed collections and the concern that these were not tracked by the CCSAS Reconciliation Unit at the subsidiary level (participant level).</p> <p>The Office of Audits and Compliance (OAC) performed this audit to ensure child support collections, obligations, payments, allocations, and other transactions, were properly deposited, recorded, and reconciled by the CCSAS Reconciliation Unit at the lump-sum level.</p> <p>OAC was aware of the fact it is SDU's responsibility to perform the collections of payments and CSE's to perform the disbursements of child support at the participant level.</p> <p><i>What OAC Recommends</i></p> <p>OAC recommends the following to eliminate risks to the department:</p> <ul style="list-style-type: none">▪ DCSS should consider designating an area to monitor funds held in both the child support trust fund balance and the SDU Master Funding Account to ensure proper processing of information, time frames of distribution, and changes in fund amounts and to prevent a large backlog of undisbursed collections.▪ Desk procedures should be created for the Fiscal Services, Accounts Payable, Banking System and Exception Units which handle any phase of the SDU reconciliation process to ensure the correct processing of all transactions by staff.	<p>OAC found that the CCSAS reconciliation unit is tasked with performing reconciliations between the State Controller's Office, State Treasurer's Office, State Disbursement Unit (SDU), CSE and DCSS Fiscal Accounting Section on a daily, monthly and annual basis. These reconciliations include collections and disbursements recorded in either the Child Support Trust Fund (CSPTF) or the Master Funding Account at the lump sum level and not at the participant.</p> <p>At the time of the review the CSPTF had over \$62 million and the DCSS Master Funding Account had over \$80 million. Included in the total for the CSPTF are welfare recoupment pending transfer to the State, Federal and County Trust Funds (transferred monthly), stale dated warrants, stop payment warrants, voids and suspended collections, suspended disbursements, county trust fund money and interest along with intercept payments, NCP regular collections, and wage withholdings that are pending disbursement.</p> <p>On a daily basis, funds are moved from the CSPTF to the DCSS Master Funding Account to fund originated disbursements for the day. The funds remain in the Master Funding Account until the payee negotiates the disbursement. The uncashed disbursements (once they are stale dated) and the cancelled disbursements (Stops, Voids, ACH Returns) amounts are periodically transferred back to the CSPTF, where they are held until they can be re-issued. The trust fund and the master sweep accounts are not monitored for growth in category and amount. This is a responsibility that at this time has not been identified within a branch or division at DCSS.</p> <p>During this review the reconciliations of the disbursements between SDU and CSE were tested. It was found that these reconciliations were not being done by the CCSAS Reconciliation Unit because of a problem with the CSE system. During</p>



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	<p>a follow up discussion with the CCSAS Reconciliation Unit, it was discovered that a system fix had been put into place that allows the reconciliation to take place and is currently in the process of fixing past reconciliation issues. This issue will be reviewed again during audit follow-up.</p> <p>In addition it was determined that desk procedures and process procedures were not prepared by Fiscal Services, Accounts Payable, Banking System and Exception Units. This creates a larger chance of error occurring and may result in a financial loss to the department.</p>
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